

# APPLICATION OF PRODUCT LIFE CYCLE CONCEPT TO PRIVATE LABEL MANAGEMENT

## PRIMJENA KONCEPTA ŽIVOTNOG CIKLUSA PROIZVODA U UPRAVLJANJU PRIVATNOM MARKOM

TRŽIŠTE

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Review

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### SAŽETAK

Privatne marke bilježe značajne stope rasta pa su tako postale stvarna prijetnja markama proizvođača. Njihovim razvojem u različnim kategorijama proizvoda dolazi do povećanja kompleksnosti njihova upravljanja. Stoga se u ovom radu sagledava mogućnost korištenja koncepta životnog ciklusa proizvoda u upravljanju privatnim markama. S obzirom da su privatne marke specifičan oblik, potrebno je prilagoditi određene elemente koncepta životnog ciklusa proizvoda koji je razvijen na temelju proizvođačkih maraka. Tako će se trgovci umjesto na širenje distribucijske mreže u fazi rasta usmjeriti na širenje privatnih maraka u što veći broj kategorija proizvoda, te umjesto naglaska na strategiju privlačenja

### ABSTRACT

Private labels have recorded significant growth rates worldwide, becoming a serious threat to manufacturer brands. Development of private labels in many different product categories increased the complexity of their management. Therefore, this paper examines the possibility of using the product life cycle concept in private label management. Given that private labels are a specific brand type, it is necessary to adjust certain elements of the product life cycle concept, as it was developed on the basis of manufacturer brands. For instance, in the growth stage of the product life cycle, retailers expand private labels to a number of product categories and use the push strategy while manufacturers tend to

koja je karakteristična za marke proizvođača dominantno koristiti strategiju guranja i slično. Dodatno je naglašena važnost promjene fokusa trgovaca od niske cijene u fazi uvođenja na povećanje kvalitete i vrijednosti privatnih maraka u kasnijim fazama životnog ciklusa proizvoda.

expand their distribution network in the expansion of their brands and predominantly use the pull strategy in doing so. Furthermore, there is a focus shift from low-price strategy, predominantly used in the introduction phase, to increasing the quality and private label value in the later stages of the product life cycle.

## 1. INTRODUCTION

In order for a company to ensure the success of its products, before launching a new product or entering a new market, it needs to analyze market attractiveness and supplement the analysis by studying the product life cycle (Lambin, Chumpitaz & Schuiling, 2007). The concept of the product life cycle is among the most cited elements of marketing theory and one that has found its application in other fields, such as product management and portfolio analysis (Mercer, 1993), cost and financial analysis, local and international trade, procurement and forecasting (Tellis & Crawford, 1981). It is most commonly used to identify the individual stages of product development as well as the characteristics of each of these stages (Palmer, 2005). Specifically, a product life cycle stage is a good indicator of the primary demand trend and competition in the market (Catry & Chevalier, 1974). A number of researchers have singled out product life cycle as the fundamental variable affecting business strategy. The concept itself may be applied to corporate strategy development and to the planning of activities at a tactical level (Polli & Cook, 1969). Nevertheless, it has not been applied sufficiently to the area of private label management.

The aim of this paper is to examine private label management through a prism of product life cycle. Given that private labels are a specific form of brands, it is important to investigate whether the concept of manufacturer brand management, in accordance with life cycle stages, may be applied to private label management or whether certain modifications are necessary. Accordingly, the remainder of the paper is organized so as to present the product life cycle concept itself and the peculiarities of the life cycle of a brand. Part three contains a more thorough analysis of the specific application of the product life cycle concept to private label management. The paper concludes with recommendations for private label management through the product life cycle.

## 2. PRODUCT LIFE CYCLE CONCEPT

The concept of the product life cycle refers to a time period, divided into stages, which runs from the time a product is launched in the market until its final withdrawal from the market. It is actually a market analogy of the life cycle of a human being. The concept is based on a position that products, in the course of their development and presence in the market, go through a series of predetermined stages characterized by different patterns of sales and profit developments over a period of time (Baines, Fill & Page, 2008).

In practical terms, the product life cycle is represented by a graph showing product sales and profit over a period of time (Meenaghan & O'Sullivan, 1986) or, in other words, it is a product development chart (Cox, 1967). The classic product life cycle curve is bell-shaped and represents sales in the course of time through four stages – introduction, growth, maturity and decline (Ozretić Došen, in Previšić & Ozretić Došen, 2007). Such a shape of the product life cycle curve is an inevitable theoretical generalization because, in practice, different products have different life cycle curves, depending on the length of individual phases and the very product type. In the classic product life cycle, the sales curve shows a relatively slow initial growth that accelerates in the growth stage. In the maturity stage, the sales curve stabilizes, and is followed by a shrinkage of sales that intensifies particularly in the decline stage. Due to heavy investments required in the introduction stage, the company only begins to make profit early on in the growth stage while reaching maximum profitability in the late growth stage or at the onset of maturity. The intensity of competition decreases in the maturity stage and especially in the decline stage (Meenaghan & O'Sullivan, 1986).

Each of the product life cycle stages brings different challenges, opportunities and problems; therefore, it is necessary to adjust marketing,

financial, product, sales and human resources accordingly to make the product as successful as possible (Kotler & Keller, 2007). In this respect, companies can take *ad hoc* decisions on their marketing mix, or else, they may respond to changes through a long-term marketing strategy, enabling them to act rapidly and with due consideration of the potential long-term consequences of their activities (Kotler, 1965).

Hofer (1975) argues that the product life cycle stage is a fundamental variable, one crucial for adopting an appropriate business strategy. In that sense, the product life cycle analysis has several different roles in shaping the strategy, such as to indicate market conditions or to serve as a moderator variable. The importance of the product life cycle is reflected in the fact that it points to market opportunities and threats that may have strategic implications. Actual or expected market growth enables the entry of competition in the market, which presents an opportunity for the company to redirect its offering to new consumer segments, neglected to date because serving them was not economical. The life cycle stage of a company is also a moderator variable in defining a strategy through its impact on the value of market share or profitability. Finally, the product life cycle is not a variable that the company alone may adjust to but, rather, one of several scenarios depending on the activities of the competition (Day, 1981). Whether structural or quantitative in its form, the product life cycle focuses on the analysis of product development in which the current position of the respective product is examined with regard to the past and the future. Each product can also be analyzed by comparing it against competitors' products as well as against other products of the same company, thereby providing a basis for optimizing the allocation of resources (Cox, 1967).

## 2.1. Levels of product life cycle conceptualization

When examining the concept of life cycle, it is necessary to define clearly the level at which it

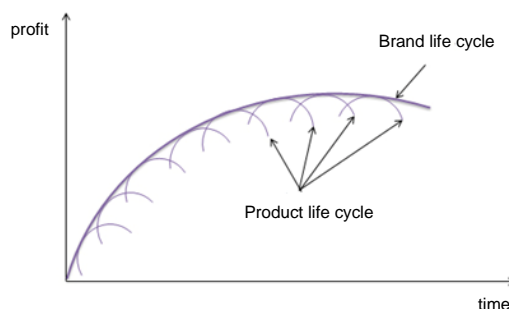
is to be studied since the literature defines several levels, such as demand life cycle, industry life cycle, product category life cycle, product class life cycle, product form life cycle and brand life cycle (Wood, 1990). The applicability of the product life cycle concept at different hierarchical levels is not definitive. Thus, Polli and Cook (1969) argue that the life cycle concept provides a better explanation of sales behavior at the level of product form than at the level of product category. Dhalla and Yuseph (1976) believe that the product life cycle concept has little relevance in explaining behavior at the product category level while having little or no applicability at the level of product form or brand. Enis, La Grace and Prell (1997, in Wood, 1990) offer a different view, according to which life cycle ought to be analyzed at the brand level as the management of life cycle at the product form or product category level is beyond company control. Tellis and Crawford (1981) suggest that the behavior of the product form corresponds largely to the form of the classic product life cycle while brand life cycles are difficult to model, and the category life cycle is not as discernible since it involves longer sales trends. According to Lambkin and Day (1989), analyzing the product life cycle at the industry level is not appropriate due to a number of different product classes with different forms of development. On the other hand, the conceptualization of the life cycle at the level of a product or a brand is not appropriate either because it rests on the products that are close substitutes; the analysis at that level is likely to show the development within the life cycle, rather than the development of the life cycle itself. The authors, therefore, conclude that the product level is the most appropriate level at which to analyze life cycle since it reflects joint effects of competition among various brands as well as among different forms of product expansion. On the other hand, the level of product class is the closest approximation for the business unit level, where competition among companies is the most direct. Nevertheless, the life cycle concept is used at all the conceptualization levels described.

## 2.2. Brand life cycle

Despite extensive brand management references in the scientific literature, brand life cycle still remains a largely marginalized concept. Simon (1979) defines brand life cycle as a time series of sales volumes of a brand, based on the relationship between consumers and the respective brand (Johnson et al., 2006 in Bivaniene, 2010). The product life cycle concept indicates a general condition of the product in the market while brand life cycle is not based on the product itself but on consumers, more precisely on their attitudes and behaviors. Still, the brand life cycle concept cannot be viewed separately from that of the product life cycle because of the activities required to develop and maintain a brand in its various stages. It can, therefore, be concluded that product life cycle stages may serve as a basis for brand life cycle stages. In addition to emphasizing the interrelation between product and brand life cycle, the use of the brand life cycle concept reveals a consumer orientation of the company because, in the course of the brand life cycle, the relation between time and value for the consumer is examined while in the product life cycle the emphasis is on the analysis of sales over time (Bivaniene, 2010).

Modern brand management, according to Vranešević (2007), may serve as an exception confirming the product life cycle theory. He argues that the brand life cycle is a considerably more stable category than the product life cycle because the brand is not only based on consumers' generic requirements and how these are met by certain products but on the development of a long-term value-based relationship as well. A brand should never exit the early maturity stage since good brand management assumes constant development and adjustment to changing and, most frequently, growing consumer expectations. The interrelation of the product life cycle and the brand life cycle is shown in Figure 1.

**Figure 1:** Product life cycle vs. brand life cycle



Source: adapted from Vranešević, T. (2007). *Brand management*. Zagreb: Accent, p. 114.

Gilbert (2003) also believes that appropriate brand management can extend the product life cycle, especially if the brand symbolizes lasting values. Leading brands are continually adjusted in order to be relevant at all times and, in turn, to be present in the market for decades. The brand life cycle, among other things, also reflects changes that occur not only through the impact of company-controlled factors but also those that are out of company control (e.g. technology development, changes in consumer preferences etc.) and to which it has to adjust. In addition, in all stages of the life cycle, the company must adjust its strategic goals and marketing programs while also monitoring change in production costs and the profit structure (Lambin et al., 2007).

The life cycle stage in which a brand enters the market may to a large extent influence the market response, growth rate and sales themselves, as confirmed by econometric studies. Golder and Tellis (1993 in Shankar, Carpenter & Krishnamurthi, 1999) suggest that the brands launched in the market after the pioneers have entered it and during the growth life cycle stage of a product category are more successful in a number of markets. An empirical study by Shankar, Carpenter and Krishnamurthi (1999) confirmed such a hypothesis and showed that:

- The brands that entered the market in the growth stage of the product category grow

faster than those that entered in other life cycle stages because, in an established market, consumers are already familiar with the type of products. Therefore, unlike pioneers, they neither have to face consumer skepticism nor intense competition, unlike the brands that enter the market in the maturity stage of the product category.

- Consumers are largely responsive to the quality of the brands that enter the market in the growth stage of a product category because consumers know more about the category at that stage, so they are better able to evaluate the differences in the perceived quality of the product, and that gives it an edge over pioneers in the market. On the other hand, the brands that enter the market in the maturity stage of a product category are in a less favorable position compared to the brands that enter in the growth stage because the market is already saturated, decreasing the probability of consumers buying and trying out the brand to be able to evaluate its quality.
- The diffusion of competition has a different impact on brands, depending on the stage of their market entry – the diffusion of competitors will erode the sales of market pioneers and benefit the brands that enter the market in the maturity stage of the product category while having no impact whatsoever on the brands that enter the market in the growth stage of the product category.

Another empirical study by Hoek, Kearns and Wilkinson (2003) confirmed a critical significance of the introduction stage for the future success of the brand. Horvath, Schivardi and Woywode (2001), using the example of beer brewing, automotive and tire industries, also confirmed the benefits of an early market entry thanks to higher profit generation and a greater likelihood of survival in the market. Accordingly, due to the uncertainty related to the profitability of the industry and search of the information to reduce that uncertainty, the companies that enter the market immediately before a decrease in the number of companies in the industry begins are

more likely to exit the market rapidly than those that entered the market earlier.

Introducing a new brand inevitably leads to changes in the market structure, so it is generally believed that the market will be unsettled for at least a year from the new brand entry. In accordance with the duplication of purchase law, "in an unsegmented market, the percentage of consumers who also buy another brand will vary in constant proportion to the level of new brand penetration" (Ehrenberg, 1991 in Hoek, Kearns & Wilkinson, 2003), implying that a new brand may win its market share through a proportional decrease in the market share of existing brands. An analysis of the market launch of 23 new brands showed that the average purchase frequency of a new brand immediately after its launch approximates the level the brand will reach eventually although brand penetration might take longer to stabilize (Ehrenberg & Goodhardt, 2000 in Hoek, Kearns & Wilkinson, 2003). That finding indicates the importance of data analysis on brand performance in its introduction stage in order to be able to assess consumer behavior in the following life cycle stages.

### 3. SPECIFICS OF PRODUCT LIFE CYCLE CONCEPT APPLICATION TO PRIVATE LABEL MANAGEMENT

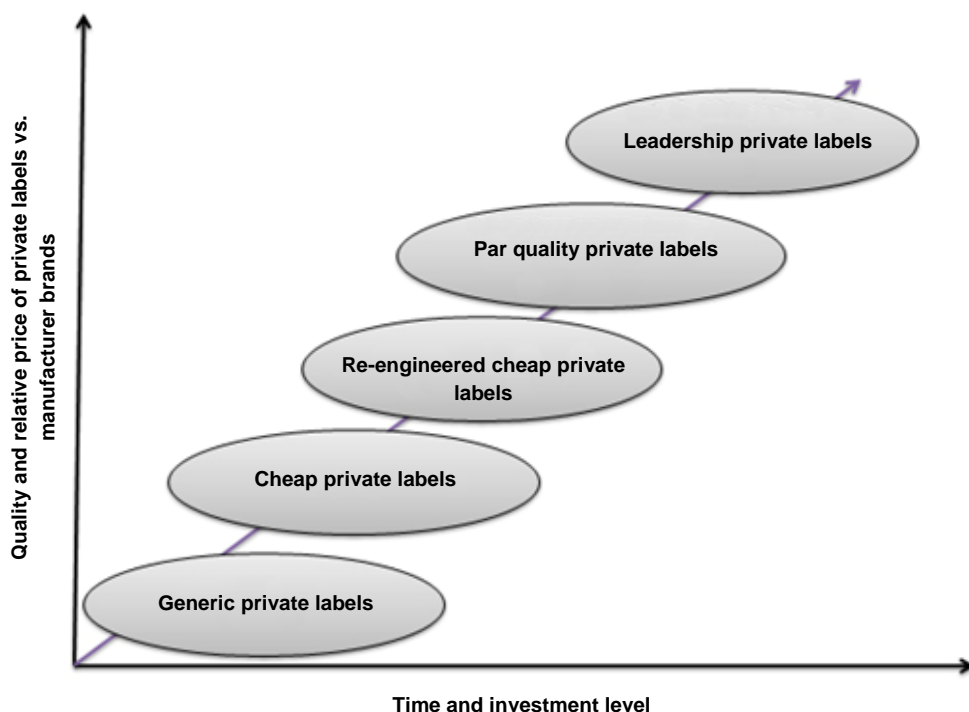
Retail industry in developed markets is in the maturity life cycle stage, which is evident in stagnation or minimum growth rates, a concentration of retailers that creates oligopolistic market conditions and intense competition, based primarily on low prices (Lambin et al., 2007). Private labels, therefore, are used by retailers as a means of differentiation and restarting market growth in order to extend the maturity stage. However, private label management is not equal to manufacturer brand management, so it is necessary to

modify brand management strategies through various product life cycle stages. More specifically, it has been confirmed empirically that there are differences between the factors influencing the performance of private labels in the growth state and in the maturity stage of the product life cycle (Steenkamp, Van Heerde & Geyskens, 2010).

After a retailer decides to introduce private labels, they go through three stages of development: reactive or oblique, imitative and an identity development stage (Kapferer, 2010). The first stage occurs as a result of a retailers' desire to achieve a greater negotiating power in their relations with manufacturers or of a wish to fill in the gaps in the product assortment observed through product category management. The second stage of private label development is imitative, where retailers analyze the private label

offering of other retailers and develop private labels in the same product categories, leading to a development of basic private label categories. At that stage, most retailers do not invest in the development of private label identity but typically use their packaging to copy the leading brand in the product category. In the last, identity development stage, retailers achieve market success with private labels, which become a true instrument of strategic differentiation that expresses the identity, values and positioning of retailers to create consumer loyalty to the private label and, consequently, to the retailer itself. This is generally the stage in which retailers no longer emphasize a lower price of private labels as the main advantage but the very concept of private labels that, unlike manufacturer brands, offer a greater width and are not specialized by category, product or sales. Private labels managed as brands in the real sense of the word through differentia-

**Figure 2:** Stages of private label development, according to Wileman and Jary



Source: adapted from Wileman, A. & Jary, M. (1997). *Retail Power Plays: From Trading to Brand Leadership*, London: Macmillan Press, p. 135.



tion, reputation development and investment in quality are the most profitable because they allow achieving the maximum market share at a minimum price gap in relation to manufacturer brands (Kapferer, 2010).

Wileman and Jary (1997) suggest five stages of private label development that are roughly comparable to the life cycle stage of private labels, and are based on a price-to-quality relationship of private labels and manufacturer brands as well as on retailers' time and investment. According to these authors, private labels go through the following forms in the course of their development:

- generic private labels,
- cheap private labels,
- re-engineered cheap private labels,
- par quality private labels
- leadership private labels.

Private label development, according to Wileman and Jary, is shown in Figure 2.

**Generic private labels** is the term that denotes the lowest level of private label development, the lowest level of price and quality in relation to manufacturer brands as well as the lowest level of investment by retailers. These products offer a simple functionality at a very low price that is also reflected in their minimalistic and unattractive packaging. The second level is occupied by **cheap private labels**, whose quality is above that of generic private labels but they still offer an inferior quality in relation to manufacturer brands at a considerably lower price. In managing cheap private labels, retailers most frequently focus their attention on packaging, which resembles that of leading manufacturer brands. As in generic private labels, cheap private label management demands minimum investment by retailers due to minimum quality control and the fact that the responsibility for product development is assumed by manufacturers. In the third stage, that is in managing **re-engineered cheap private labels**, despite their cost and price orientation retailers have to show a certain level of proactiv-

ity and collaborate with manufacturers in product development under a private label. The purpose of introducing this type of private labels is offering the products whose price is considerably lower than manufacturer brands and is not achieved at the expense of quality but through a reduction of other costs (e.g. packaging, promotion etc.). The peculiarity of redesigned cheap private label management is to try to avoid any kind of copying the packaging of manufacturer brands. In managing the private labels of comparable quality to manufacturer brands and the private labels which are leading market brands, there is a refocusing by retailers from price and costs to a focus on quality and innovation. **Par quality private labels** are still cheaper thanks to an elimination of a number of product or category costs as well as due to the fact that retailers are able to achieve favorable price conditions in their negotiation with the manufacturers that have excess production capacity and provide good quality even though they are not market leaders. **Leadership private labels** spur innovation and repositioning of manufacturing lines and entire product categories in which they are developed, so they are of comparable quality and price to manufacturer brands, and can sometimes achieve a higher price than that of manufacturer brands. Private label management at the last two levels requires considerable investment in design and product development, product control and development of long-term relations with suppliers.

Retailers may use two strategies in their business – a cost reduction strategy and a strategy oriented on providing added value. In the process of introducing private labels, they focus on the first strategy, i.e. on cost reduction through large product orders, lower production costs, use of cheaper materials and limited assortment. This strategy offers consumers low-priced products, without added value and that is in contrast with the second strategy. The goal of the value-added strategy is to exceed the basic functional value through product innovation and investment in their quality and packaging (Birtwistle & Freathy, 1998), and it is often used in the later stages of the life cycle. A change of retailers' strategic ori-



entation is also evident in the work of Whinnett (2010), who analyzed the strategies of private label management through three life cycle stages, namely, early development, rapid growth and great focus on private labels that may serve as an analogy to the product life cycle stages. In the **early development stage**, retailers focus on the product and on the product purchase, using a strong support of promotional offers and discounts. Due to a high focus on the product, retailers rely heavily on collaboration with suppliers at this stage. The private label assortment in the early development stage is limited to the basic private label that meets only minimum quality standards. In the **rapid growth stage**, retailers shift their focus on to product category management, so three quality-based levels of private labels develop. Quality becomes a significant factor of private label success. The goal, at this stage, is to market products as fast as possible and to attract consumers with new products and innovations, leading to the implementation of a system that encourages product development. In the last stage, **retailers focus on the development of the private label**, that is, on the label as a true brand as its very name suggests, through product quality and innovation. Therefore, products of the kind spurred by market requirements and needs as well as fashion trends are developed to differentiate the private label and the retailer itself through premium private labels and specialist sub-labels.

All the aforementioned analyses indicate a trend of increasing quality and relative prices of private labels compared to manufacturer brands, as well as an increase in the level of investment in the course of the private label life cycle. Investing in the quality of private labels during their life cycle is in accordance with the manufacturer brand management strategies that, along with increasing the quality, also assume investment in new product features and packaging for the purpose of encouraging differentiation and greater loyalty among consumers. In the private label introduction stage, especially at the industry level, retailers are primarily oriented on price competition; that is not surprising taking into account that

private labels are most often introduced in the categories in which strong market leaders have a broad consumer base and a firm market position. In order to compete with them when introducing private labels, retailers are compelled to define their price in a manner to reflect a major price gap between private labels and manufacturer brands wide enough to encourage consumers to notice and try out private labels. An increase in their market share, reflecting growing acceptance by consumers, leads to a decrease in the price gap until – as private labels reach a 50% market share – their price is equal (Wileman & Jary, 1997). In the markets that are in the maturity stage, the prices of high quality private labels are comparable to the prices of manufacturer brands or, in certain cases, they even exceed them (Kumar & Steenkamp, 2007).

The price gap is reduced also thanks to increased investments in private label promotion, the significance of which grows over the private label life cycle due to high competition and a retailers' wish to stimulate loyalty to private labels. Private labels are a prototype of the product in respect of which it is crucial to use so-called push strategies. If a retailer decides to push the product, consumers will be more exposed to it and will be able to respond accordingly in their purchase, depending on the basic product quality and other retailer activities as well as on the manufacturers' promotional activities. A study by Dhar and Hoch (1997) has shown that the promotion of private labels can increase their market share significantly. Similar results were also achieved by Cotterill and Putsis (2000), who suggest that a 10%-increase in investment in private label promotion may boost their market share by 0.87%. Russell and Kamakura (1997) showed in their research that the consumers who respond positively to the promotion of private labels in a single product category will generally express preferences for private labels in several product categories, and that implies multiple benefits of investing in private label promotion.

In relation to the introduction stage, the growth stage sees a market expansion to include early

adopters and early majority, so the private label management strategy has to be modified accordingly. Low-priced and low-quality private labels are most likely to attract lower income consumers, who are more price sensitive and will be the primary buyers of private labels in the initial stages of their life cycle. According to Mickwitz (1959, in Simon, 1979), the price elasticity of consumers grows during the first three stages of the life cycle while falling in the decline stage. An empirical study by Simon (1979), in which he analyzed the price sensitivity of 35 brands in various life cycle stages, showed a strong decrease in the consumers' price elasticity in the introduction and growth stage until it reaches its trough in the maturity stage before increasing again in the decline life cycle stage. In the introduction stage, when sales are low, a relative effect of the price change is greater than in the growth stage, characterized by a sales increase. This points to the conclusion that consumers show a greater level of price sensitivity to mature than they do to new brands. However, as it is a two-way relation, because a relatively small number of consumers will be attracted by lower prices, so companies will lose a small number of consumers to the price increase. It can be concluded that a penetration strategy would be optimal for introducing the brands into a market where there are adequate substitutes (Simon, 1979), and it is the very strategy used by retailers when introducing private labels.

One of the features of manufacturer brand management in the growth phase is the expansion of the distribution network to cover as much of the market and reach as broad a circle of consumers as possible. Since the distribution of private labels is in most cases limited to the distribution system of the retailer which owns them, expanding private labels to a large number of product categories can be considered equivalent to the spread of the distribution network in manufacturer brand management. Retailers achieve the economies of scales when they develop a private label program including more than 350 product categories which is offered by typical supermarkets. The presence of private labels in as many categories justifies the investment of

greater resources necessary to develop a quality assurance department, unique promotional events and premium private labels (Dhar & Hoch, 1997). However, retailers cannot simultaneously achieve a strong market position in all product categories, so it is essential to define their investment priorities and determine which categories are dominated by weak manufacturer brands or have a potential for redefinition. Private labels have the greatest probability of success in the categories in which competition is fragmented and manufacturer brands have weak market positions, or else in the categories dominated by a few strong manufacturer brands whose strategies are based on the old image and are therefore characterized by insufficient levels of innovation and promotion investment. In addition, private labels are generally more successful in the categories characterized by relatively stable technology, longer product life cycle and excess production capacity of the manufacturers whose brands rank second or third by market share. On the other hand, retailers can use private labels to redefine certain categories or to provide added value in a particular category. This increases the number of consumers who buy the products in that category as well as their sales volume which, consequently, increases the performance of private labels. In determining the product categories in which to develop private labels, retailers most commonly use an analysis of the relative rate of sales in the category, as well as relative prices (Wileman & Jary, 1997).

The selection of the private label management strategy in the course of various stages of the product life cycle affects all aspects of retailers' business. In accordance with the selected strategy, the retailer must determine the types of private labels to develop at the level of the entire chain and in individual product categories, the breadth of the private label assortment and the manner of allocating shelving space to private labels and manufacturer brands. One of the most important decisions to be made by the retailer concerns the size of the price gap between private labels and manufacturer brands in order to optimize the private label performance.

## 4. CONCLUSION

Private labels have been present in the market since the 19<sup>th</sup> century, but have recorded significant market growth in the last thirty years after retailers realized their importance in an increasingly competitive market. Their growing popularity as well as that they are being developed in a number of different product categories has increased the complexity of managing private labels considerably; hence, the paper examines private label management through a prism of the product life cycle, as one of the most cited contributions to the marketing theory. As private labels are only at the beginning of their life cycle in a large number of developing countries, it is important to examine the factors that affect the success of private labels because these factors may differ from those prevailing in the markets that have already reached the maturity stage of the private label life cycle.

A strategic goal of retailers in managing private labels can be a short-term increase in the margin or long-term brand development. The retailers focusing on a short-term margin increase through private labels most frequently develop generic or cheap private labels that are positioned on the basis of their low prices. Meanwhile, the retailers aiming at a long-term brand development invest in private labels during all stages of their life cycle and, in accordance with the characteristics of individual stages, they modify their private label management. Private labels are most commonly developed in mature product categories, in which there is a strong brand with a large market share, so the retailers who are compelled to introduce private label primarily use the penetration strategy and attract consumers with a large price gap compared to the leading manufacturer brand. Although this strategy is justified in the introduction stage of the product life cycle, in subsequent stages the emphasis should not be left solely on the low price, since it is not sufficient to win consumer loyalty. Hence, in the growth phase, retailers put more emphasis on

enhancing the perceived quality of private labels and on highlighting the great value of private labels through a favorable price-to-quality ratio. Greater acceptance of private labels by consumers and retailers' investment in enhancing their quality lead to a reduction of the price gap between private labels and manufacturer brands, as well as to a development of different price and quality levels of private labels. The emphasis on the value of private labels in the growth phase should lead to the acceptance of private labels as brands in the true sense of the word. Therefore, in the maturity stage of the product life cycle retailers will largely use the strategies equivalent to those of manufacturer brand management, such as investment in promotion, assortment expansion etc.

While there are as yet no works in the literature that analyze directly various private label management strategies through the stages of the product life cycle, from the private label studies that are available we can see changes over time as the retailers refocus from prices to quality and also shift from a sales to a marketing concept in private label management. The retailers wishing to develop successful private labels and those considering private labels as a significant aspect of their business will certainly use the marketing concept by focusing on consumer satisfaction and on providing an appropriate private label value. Private labels are usually related to the retailer who owns them and are developed in a large number of product categories. Hence, inappropriate private label management that focuses excessively on price, compromising the product quality, will have a negative impact on a large number of product categories and, consequently, also on the retailer. It is, therefore, essential for retailers to recognize the product life cycle of private labels and to make a timely adjustment of their marketing strategies accordingly. In that way they will enable a long-term successful development of private labels that may be capitalized in a higher level of consumer loyalty, both to private labels and to the very retailer as their owner.

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